

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 L-03 NSC-05 SS-15  
STR-07 CEA-01 ITC-01 FTC-01 /094 W  
-----049515 161130Z /20  
R 141123Z SEP 78  
FM AMEMBASSY ISLAMABAD  
TO SECSTATE WASHDC 9034

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E.O. 11652: N/A  
TAGS: EFIN, PK  
SUBJECT: DISCRIMINATORY INCREASE IN MINIMUM CAPITAL DEPOSITS

REF: ISLAMABAD 8522

1. ECON CONS MET WITH REPRESENTATIVES OF THE THREE AMERICAN BANKS OPERATING IN PAKISTAN (CITIBANK, AMERICAN EXPRESS BANKING CORPORATION, BANK OF AMERICA) IN KARACHI, SEPTEMBER 12 TO DISCUSS DISCRIMINATORY INCREASE IN MINIMUM CAPITAL DEPOSITS. ALL THREE BANKS ARE DISTRESSED ABOUT INCREASE, BUT DESPAIR OF POSSIBILITY THAT GOP CAN BE INDUCED TO RESCIND IT. INCREASE WILL CUT INTO EARNINGS OF THE BANKS, BUT UNLESS PROFITABILITY CHANGES IN THE FUTURE, IT WILL NOT REQUIRED THEM TO BRING IN CAPITAL. AMERICAN BANKS PLAN TO CONVENE A MEETING OF THE ASSOCIATION OF FOREIGN BANKS IN PAKISTAN WITH AIM OF DRAFTING A JOINT LETTER TO STATE BANK PROTESTING THE INCREASE. AMERICAN BANKS MAY ALSO ATTEMPT TO GET THEIR HOME OFFICES TO PRESSURE STATE DEPARTMENT AND TREASURY DEPARTMENT TO TRY TO GET DECISION REVERSED.

2. WE AGREE THAT PROSPECTS FOR A RESCISSION OF THIS  
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DISCRIMINATORY MOVE ARE EXTREMELY REMOTE AND, UNLESS THE AMERICAN BANKS DEMONSTRATE CONSIDERABLY MORE CONCERN THAN THEY HAVE SO FAR, NOT WORTH THE STRONG EFFORT IT WOULD REQUIRE. HOWEVER, WE THINK WE SHOULD MAKE A PROTEST FOR THE RECORD AND UNLESS THE DEPARTMENT PERCEIVES OBJECTION, WE PLAN TO SEND THE FOLLOWING DIPLOMATIC NOTE TO THE MINISTRY OF FOREIGN

AFFAIRS: "THE EMBASSY OF THE UNITED STATES OF AMERICA PRESENTS ITS COMPLIMENTS TO THE MINISTRY OF FOREIGN AFFAIRS AND REFERS TO THE RECENTLY IMPLEMENTED INCREASE BY THE STATE BANK OF PAKISTAN IN THE MINIMUM CAPITAL THAT BANKS INCORPORATED OUTSIDE PAKISTAN ARE REQUIRED TO MAINTAIN. THIS INCREASE IS DISCRIMINATORY AGAINST FOREIGN BANKS ON TWO COUNTS. FIRST, BANKS INCORPORATED WITHIN PAKISTAN HAVE NOT BEEN REQUIRED TO MAKE A SIMILAR INCREASE IN THE MINIMUM CAPITAL THEY MUST MAINTAIN. SECOND, THE BASE FOR THE FOREIGN BANKS IS THE LIABILITIES AS OF THE END OF 1977, WHILE FOR THE BANKS INCORPORATED IN PAKISTAN THE BASE IS 1972. THE EFFECT OF THIS DIFFERENCE IN BASE DATES IS TO SUBSTANTIALLY INCREASE THE DEPOSITS THE BANKS OUTSIDE PAKISTAN MUST MAINTAIN IN COMPARISON WITH THEIR PAKISTANI COMPETITORS."

" THE INCREASE ADVERSELY AFFECTS THE COMPETITIVENESS AND THE PROFITABILITY OF BANKS INCORPORATED OUTSIDE PAKISTAN. IT REDUCE THE ATTRACTIVENESS OF BANKING IN PAKISTAN IN COMPARISON WITH OTHER COUNTRIES WHERE THE BANKS OPERATE OR MIGHT OPERATE. IT ALSO ADVERSELY AFFECTS THEIR ABILITY TO PERFORM THE SORT OF BANKING SERVICES THAT PAKISTAN AS DEVELOPING COUNTRY REQUIRES."

" THE EMBASSY OF THE UNITED STATES OF AMERICA HOPES, THEREFORE, THAT THE STATE BANK OF PAKISTAN WILL RE-LIMITED OFFICIAL USE

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EXAMINE ITS RECENTLY ANNOUNCED INCREASE WITH A VIEW TOWARDS RESCINDING IT SO THAT BANKS INCORPORATED OUTSIDE PAKISTAN WOULD BE ON THE SAME FOOTING AS BANKS INCORPORATED IN PAKISTAN WITH RESPECT TO THE MINIMUM CAPITAL THEY MUST MAINTAIN."

"THE EMBASSY AVAILS ITSELF OF THIS OPPORTUNITY TO RENEW TO THE MINISTRY THE ASSURANCES OF ITS HIGHEST CONSIDERATION."

3. IF WE HAVE NOT HAD A REPLY BY SEPTEMBER 21, WE WILL ASSUME OUR NOTE IS ACCEPTABLE AND FORWARD IT TO THE GOP.  
CONSTABLE

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NNN



## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS, DISCRIMINATION, BANK LAW, BANK DEPOSITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 sep 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978ISLAMA08891  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780377-1037  
**Format:** TEL  
**From:** ISLAMABAD  
**Handling Restrictions:** n/a  
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**Line Count:** 107  
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**Litigation Codes:**  
**Litigation History:**  
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**Message ID:** e365b350-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 ISLAMABAD 8522  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1436230  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DISCRIMINATORY INCREASE IN MINIMUM CAPITAL DEPOSITS  
**TAGS:** EFIN, PK  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/e365b350-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
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